TRAFCO GROUP B.S.C.

REPORT OF THE BOARD OF DIRECTORS,
REPORT ON CORPORATE GOVERNANCE CODE,
INDEPENDENT AUDITOR'S REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

EY
Building a better working world

Ernst & Young Middle East
P.O. Box 140
10th Floor, East Tower
Bahrain World Trade Center
Manama
Kingdom of Bahrain

Tel: +973 1753 5455
Fax: +973 1753 5405
manama@bh.ey.com
C.R. No. 29977

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TRAFCO GROUP B.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Trafco Group B.S.C. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statements of income, comprehensive income, cash flows and changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TRAFCO GROUP B.S.C. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key audit matters (continued)

1. Valuation of unquoted equity investments
Refer to notes 3 and 11 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
The Group holds unquoted equity investments of BD 3,886,101 as at 31 December 2018, which accounts for 10% of the Group's total assets. These investments are measured at fair values determined based on unobservable inputs using market multiples or other appropriate valuation methodologies. Due to the illiquid nature of these investments, the determination of fair value is subjective and involves estimates and judgements. The exit value of unquoted equity investments will be determined by the market at the time of realisation and therefore despite the valuation policy and judgments applied by management, the final exit value may materially differ from the fair value determined at the reporting date. Given the inherent subjectivity surrounding the valuation of unquoted equity investments, we determined this to be a key audit matter for our audit.	Our audit procedures in this area included, among others: (i) Assessing the appropriateness of the valuation methodologies used by management; (ii) Corroborating the key inputs used in the valuation with independently available information; (iii) Reviewing the appropriateness of illiquidity and other discounts applied on the valuation; (iv) Checking the arithmetical accuracy of the calcuation used in the valuation; and (v) Evaluating the adequacy of disclosures in the consolidated financial statements.

2. Allowance for expected credit losses for trade receivables
Refer to notes 3 and 14 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
The Group has gross trade receivables of BD 8,409,365, which accounts for 21% of the Group's total assets. The allowance for expected credit losses as of 31 December 2018 is BD 665,592. As of 1 January 2018, the Group adopted International Financial Reporting Standard (IFRS) 9: *Financial instruments* for the first time. The Group applied the simplified approach to measuring Expected Credit Losses (ECL) on trade receivables as allowed by IFRS 9. The determination of the ECL allowance for trade receivables involves estimates and assumptions in relation to loss rates based on past history of defaults, existing market conditions, segmentation of customers based on credit characteristics as well as forward looking estimates. Due to the significance of trade receivables and subjectivity involved in the determination of ECL, this is considered as a key audit matter.	Our audit procedures included, among others: (i) testing accuracy of ageing of trade receivables; (ii) assessing the appropriateness of segmentation of customers based on credit characteristics; (iii) assessing the Group's ECL allowance policies including reasonableness of the inputs used; and (iv) assessing the adequacy of the disclosures in relation to trade receivables and allowance for ECL.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TRAFCO GROUP B.S.C. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Other information included in the Group's 2018 annual report

Other information consists of the information included in the Group's 2018 Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditors' report, we obtained the report of the Board of Directors and the Report on Corporate Governance Code which form part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TRAFCO GROUP B.S.C. (continued)

Report on Other Legal and Regulatory Requirements

We report that:

a) as required by the Bahrain Commercial Companies Law:

   i) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;

   ii) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements; and

   iii) satisfactory explanations and information have been provided to us by management in response to all our requests; and

b) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association during the year ended 31 December 2018 that might have had a material adverse effect on the business of the Group or on its consolidated financial position.

The Partner in charge of the audit resulting in this independent auditor's report is Prasanth Govindapuram.

Ernst & Young

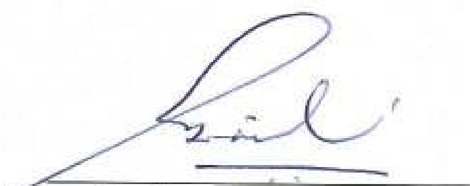
Auditor's Registration No. 212
27 February 2019
Manama, Kingdom of Bahrain

Trafco Group B.S.C.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2018

	Note	**2018** **BD**	2017 BD (Restated)
Revenue from contracts with customers	5	**39,521,811**	39,866,114
Costs of revenue		**(31,159,974)**	(31,827,945)
GROSS PROFIT		**8,361,837**	8,038,169
Other operating income		**201,291**	132,917
Personnel costs	6	**(3,639,893)**	(3,622,530)
General and administrative expenses		**(1,328,614)**	(1,255,571)
Selling and distribution expenses		**(829,344)**	(899,879)
Depreciation	9	**(399,547)**	(411,875)
PROFIT FROM OPERATIONS		**2,365,730**	1,981,231
Net investment income	7	**575,214**	879,227
Finance costs	6	**(178,160)**	(206,028)
Share of results of an associate	10	**(174,044)**	(168,315)
Foreign exchange gains - net		**14,082**	23,144
Impairment of non-trading investments	11	**-**	(140,582)
PROFIT OF THE GROUP FOR THE YEAR	6	**2,602,822**	2,368,677
of which profit attributable to non-controlling interests		**(764,530)**	(694,206)
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS OF TRAFCO		**1,838,292**	1,674,471
BASIC AND DILUTED EARNINGS PER SHARE (FILS)	8	**24**	22



Ebrahim Mohamed Ali Zainal
Chairman

Yusuf Saleh Abdulla Alsaleh
Vice Chairman

Seethapathy Sridhar
Group Chief Executive Officer

The attached notes 1 to 34 form part of these consolidated financial statements.

Trafco Group B.S.C.

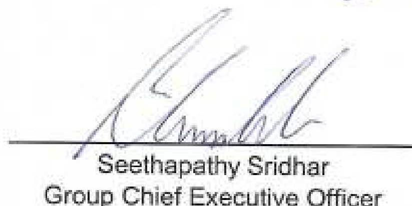
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 BD	2017 BD (Restated)
PROFIT OF THE GROUP FOR THE YEAR		**2,602,822**	2,368,677
Other comprehensive (loss) income			
Other comprehensive (loss) income to be reclassified to the consolidated statement of income in subsequent years:			
- Transfer of gain on disposals of non-trading investments to the consolidated statement of income		-	(347,684)
- Foreign exchange differences on translation of foreign operations		**(15,868)**	25,811
Net other comprehensive loss to be reclassified to the consolidated statement of income in subsequent years		**(15,868)**	(321,873)
Other comprehensive income (loss) not to be reclassified to the consolidated statement of income in subsequent years:			
- Net changes in fair value of non-trading investments classified as fair value through other comprehensive income	11	**224,065**	1,096,749
Net changes in fair value of associate's non-trading investments	10	**6,655**	(9,920)
Net other comprehensive income not to be reclassified to the consolidated statement of income in subsequent years		**230,720**	1,086,829
Other comprehensive income for the year		**214,852**	764,956
TOTAL COMPREHENSIVE INCOME OF THE GROUP FOR THE YEAR		**2,817,674**	3,133,633
of which total comprehensive income attributable to non-controlling interests		**(758,182)**	(706,498)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS OF TRAFCO		**2,059,492**	2,427,135

Ebrahim Mohamed Ali Zainal
Chairman

Yusuf Saleh Abdulla Alsaleh
Vice Chairman



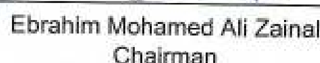
Seethapathy Sridhar
Group Chief Executive Officer

Trafco Group B.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	**2018** **BD**	2017 BD (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	9	**9,025,225**	8,896,251
Investment in an associate	10	**1,635,236**	1,802,625
Non-trading investments	11	**10,960,631**	9,852,400
		21,621,092	20,551,276
Current assets			
Inventories	13	**7,729,203**	8,160,086
Right of return assets		**40,170**	32,976
Trade and other receivables	14	**8,377,042**	8,298,885
Bank balances and cash	15	**1,987,607**	2,779,561
		18,134,022	19,271,508
TOTAL ASSETS		**39,755,114**	39,822,784
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**8,067,505**	8,067,505
Treasury shares	17	**(866,096)**	(834,008)
Share premium	18	**3,386,502**	3,386,502
Statutory reserve	19	**3,786,542**	3,601,062
General reserve	20	**1,365,000**	1,315,000
Fair value reserve	21	**5,232,400**	5,740,819
Retained earnings - distributable		**2,881,774**	2,070,628
Retained earnings - non-distributable	22	**353,474**	272,949
Proposed appropriations		**1,434,829**	1,282,559
Equity attributable to the shareholders of Trafco		**25,641,930**	24,903,016
Non-controlling interests	29	**3,106,227**	2,705,208
Total equity		**28,748,157**	27,608,224
Non-current liabilities			
Employees' end of service benefits	24	**1,332,663**	1,303,829
Term loans	26	**392,361**	437,512
Retentions payable		**9,005**	-
Loans from non-controlling interests	25	**-**	497,000
		1,734,029	2,238,341
Current liabilities			
Trade and other payables	27	**6,538,671**	6,039,609
Import loans	28	**2,299,147**	2,946,277
Bank overdrafts	15	**186,498**	364,869
Contract and refund liabilities		**166,052**	167,135
Term loans	26	**82,560**	458,329
		9,272,928	9,976,219
Total liabilities		**11,006,957**	12,214,560
TOTAL EQUITY AND LIABILITIES		**39,755,114**	39,822,784



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Chairman

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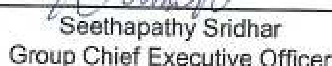
Vice Chairman



Seethapathy Sridhar
Group Chief Executive Officer

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 BD	2017 BD (Restated)
OPERATING ACTIVITIES			
Profit of the Group for the year		**2,602,822**	2,368,677
Adjustments for:			
Finance costs	6	**178,160**	206,028
Gain on disposals of property, plant and equipment	6	**(31,570)**	(2,833)
Net investment income	7	**(575,214)**	(879,227)
Depreciation	9	**967,528**	1,041,489
Share of results of an associate	10	**174,044**	168,315
Impairment of non-trading investments	11	**-**	140,582
Provision for slow moving and obsolete of inventories	13	**62,970**	71,312
Allowance for expected credit losses	14	**78,506**	85,512
Provision for employees' end of service benefits	24	**177,117**	192,735
Operating profit before changes in working capital		**3,634,363**	3,392,590
Working capital changes:			
Inventories		**367,913**	617,414
Right of return assets		**(7,194)**	3,297
Trade and other receivables		**(223,941)**	203,536
Trade and other payables		**546,982**	208,217
Contract and refund liabilities		**(1,083)**	20,309
Cash generated from operations		**4,317,040**	4,445,363
Directors' remuneration paid		**(107,625)**	(112,750)
Employees' end of service benefits paid	24	**(148,283)**	(105,271)
Net cash flows from operating activities		**4,061,132**	4,227,342
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(1,038,607)**	(1,454,222)
Proceeds from disposals of property, plant and equipment		**36,980**	5,399
Purchase of non-trading investments	11	**(884,166)**	(193,677)
Proceeds from disposals of non-trading investments		**-**	757,998
Return of capital on non-trading investments		**11,365**	15,000
Dividends received		**575,195**	540,688
Net cash flows used in investing activities		**(1,299,233)**	(328,814)
FINANCING ACTIVITIES			
Dividends paid	32	**(1,227,494)**	(1,305,337)
Term loans availed	32	**500,000**	750,000
Repayment of term loans	32	**(920,920)**	(470,611)
Import loans availed	32	**10,612,868**	12,371,364
Repayment of import loans	32	**(11,259,998)**	(12,494,931)
Repayment of loans from non-controlling interests	32	**(497,000)**	-
Dividend paid to non-controlling interests		**(357,162)**	-
Finance costs paid		**(177,820)**	(205,788)
Purchase of treasury shares		**(32,088)**	-
Net cash flows used in financing activities		**(3,359,614)**	(1,355,303)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(597,715)**	2,543,225
Net foreign exchange translation differences		**(15,868)**	25,811
Cash and cash equivalents at 1 January		**2,414,692**	(154,344)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	15	**1,801,109**	2,414,692

Non-cash transactions

- Unclaimed dividends pertaining to prior years amounting to BD 5,065 (2017: BD 4,257) have been excluded from the movement of trade and other payables above.
- Additions to property, plant and equipment and movements of trade and other payables and retentions payable exclude amount payable to a contractor of BD 63,305 (2017: nil).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

		Attributable to the shareholders of Trafco												
					Reserves									
	Note	*Share capital BD*	*Treasury shares BD*	*Share premium BD*	*Statutory reserve BD*	*General reserve BD*	*Fair value reserve BD*	*Retained earnings - distributable BD*	*Retained earnings-non distributable BD*	*Proposed appropriations BD*	*Total reserves BD*	*Shareholders' equity BD*	*Non-controlling interests BD*	*Total equity BD*
Balance at 1 January 2018 (as previously reported)		8,067,505	(834,008)	3,386,502	3,601,062	1,315,000	5,740,819	2,184,791	272,949	1,282,559	14,397,180	25,017,179	2,708,756	27,725,935
Impact of adoption IFRS 9 and IFRS 15	2	-	-	-	-	-	(729,619)	655,785	-	-	(73,834)	(73,834)	(3,549)	(77,383)
Other restatements	30	-	-	-	-	-	-	(107,625)	-	-	(107,625)	(107,625)	-	(107,625)
Balance at 1 January 2018 (restated)		8,067,505	(834,008)	3,386,502	3,601,062	1,315,000	5,011,200	2,732,951	272,949	1,282,559	14,215,721	24,835,720	2,705,207	27,540,927
Profit for the year - 2018		-	-	-	-	-	-	1,838,292	-	-	1,838,292	1,838,292	764,530	2,602,822
Other comprehensive income (loss)		-	-	-	-	-	221,200	-	-	-	221,200	221,200	(6,348)	214,852
Total comprehensive income for the year		-	-	-	-	-	221,200	1,838,292	-	-	2,059,492	2,059,492	758,182	2,817,674
Dividend to non-controlling interests	29	-	-	-	-	-	-	-	-	-	-	-	(357,162)	(357,162)
Recovery of impairment of an equity investment		-	-	-	-	-	-	11,365	-	-	11,365	11,365	-	11,365
Purchase of treasury shares		-	(32,088)	-	-	-	-	-	-	-	-	(32,088)	-	(32,088)
2017 Appropriations:														
- General reserve - 2017	20	-	-	-	-	50,000	-	-	-	(50,000)	-	-	-	-
- Dividends paid - 2017	23	-	-	-	-	-	-	-	-	(1,232,559)	(1,232,559)	(1,232,559)	-	(1,232,559)
2018 - Proposed appropriations:														
- General reserve - 2018	20	-	-	-	-	-	-	(50,000)	-	50,000	-	-	-	-
- Proposed dividend - 2018	23	-	-	-	-	-	-	(1,384,829)	-	1,384,829	-	-	-	-
Transfer to statutory reserve	19	-	-	-	185,480	-	-	(185,480)	-	-	-	-	-	-
Transfer by a subsidiary	22	-	-	-	-	-	-	(80,525)	80,525	-	-	-	-	-
Balance at 31 December 2018		**8,067,505**	**(866,096)**	**3,386,502**	**3,786,542**	**1,365,000**	**5,232,400**	**2,881,774**	**353,474**	**1,434,829**	**15,054,019**	**25,641,930**	**3,106,227**	**28,748,157**

The attached explanatory notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

		Attributable to the shareholders of Trafco												
					Reserves									
	Note	*Share capital BD*	*Treasury shares BD*	*Share premium BD*	*Statutory reserve BD*	*General reserve BD*	*Fair value reserve BD*	*Retained earnings - distributable BD*	*Retained earnings-non distributable BD*	*Proposed appropriations BD*	*Total reserves BD*	*Shareholders' equity BD*	*Non-controlling interests BD*	*Total equity BD*
Balance at 1 January 2017		8,067,505	(834,008)	3,386,502	3,432,541	1,265,000	4,988,510	2,038,307	201,811	1,359,594	13,285,763	23,905,762	2,002,258	25,908,020
Impact of adoption of IFRS 15	2	-	-	-	-	-	-	(7,182)	-	-	(7,182)	(7,182)	(3,903)	(11,085)
Other restatements	30	-	-	-	-	-	-	(112,750)	-	-	(112,750)	(112,750)	-	(112,750)
Balance at 1 January 2017 (restated)		8,067,505	(834,008)	3,386,502	3,432,541	1,265,000	4,988,510	1,918,375	201,811	1,359,594	13,165,831	23,785,830	1,998,355	25,784,185
Profit for the year - 2017 (restated)		-	-	-	-	-	-	1,674,471	-	-	1,674,471	1,674,471	694,206	2,368,677
Other comprehensive income		-	-	-	-	-	752,309	-	-	-	752,309	752,309	12,647	764,956
Total comprehensive income for the year (restated)		-	-	-	-	-	752,309	1,674,471	-	-	2,426,780	2,426,780	706,853	3,133,633
2016 Appropriations:														
- General reserve - 2016	20	-	-	-	-	50,000	-	-	-	(50,000)	-	-	-	-
- Dividends paid - 2016	23	-	-	-	-	-	-	-	-	(1,309,594)	(1,309,594)	(1,309,594)	-	(1,309,594)
2017 - Proposed appropriations:													-	
- General reserve -2017	20	-	-	-	-	-	-	(50,000)	-	50,000	-	-	-	-
- Dividends - 2017	23	-	-	-	-	-	-	(1,232,559)	-	1,232,559	-	-	-	-
Transfer to statutory reserve	19	-	-	-	168,521	-	-	(168,521)	-	-	-	-	-	-
Transfer by a subsidiary	22	-	-	-	-	-	-	(71,138)	71,138	-	-	-	-	-
Balance at 31 December 2017 (restated)		8,067,505	(834,008)	3,386,502	3,601,062	1,315,000	5,740,819	2,070,628	272,949	1,282,559	14,283,017	24,903,016	2,705,208	27,608,224

1 CORPORATE INFORMATION

Trafco Group B.S.C. ('the Company' or 'Trafco' or 'the parent company') is a public joint stock company, the shares of which are listed and publicly traded on Bahrain Bourse. The Company was incorporated in the Kingdom of Bahrain by Amiri Decree No. 10 of November 1977. The Company operates in accordance with the provisions of the Bahrain Commercial Companies Law under commercial registration (CR) number 8500 issued by the Ministry of Industry, Commerce and Tourism. The postal address of the Company's registered office is PO Box 20202, Manama, Kingdom of Bahrain. The Company's principal activity is trading in food products.

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 27 February 2019**.**

The Group comprises of the Company and its following subsidiaries and associates:

Relationship / name	*Country of incorporation*	*Ownership interest*		*Principal activities*
		2018	*2017*	
Subsidiaries				
Bahrain Water Bottling & Beverages Company S.P.C.	Kingdom of Bahrain	**100%**	100%	Producing, bottling and marketing of sweet drinking water and beverages.
Bahrain Fresh Fruits Company S.P.C.	Kingdom of Bahrain	**100%**	100%	Trading in fresh fruits, vegetables and other food products.
Metro Markets Company S.P.C.	Kingdom of Bahrain	**100%**	100%	Trading in food items and beverages.
Trafco Logistics Company S.P.C.	Kingdom of Bahrain	**100%**	100%	Providing storage and logistics services.
Awal Dairy Company W.L.L.	Kingdom of Bahrain	**51%**	51%	Production and supply of milk, juices, ice cream and tomato paste.
Kuwait Bahrain Dairy Company W.L.L.	State of Kuwait	**50%***	50%*	Marketing and supply of milk, juices and associated products.
Associates				
Bahrain Livestock Company B.S.C. (c)	Kingdom of Bahrain	**36.26%**	36.26%	Import of both livestock and chilled meat.
Qatari Bahraini Food Trading Co. L.L.C.	State of Qatar	**50%**	50%	Under liquidation.

* Effective ownership. Owned by Awal Dairy Company W.L.L.

Except for Awal Dairy Company W.L.L. and its subsidiary Kuwait Bahrain Dairy Company W.L.L. which have 30 September financial year-ends, the financial year-end of all the remaining subsidiaries and associates is 31 December.

The Group operates in the Kingdom of Bahrain and in the State of Kuwait through its subsidiary.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements are prepared under the historical cost convention, except for non-trading investments that have been measured at fair value.

The consolidated financial statements have been presented in Bahraini Dinars (BD) which is the functional currency of the Company and the presentation currency of the Group.

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and in conformity with the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, cash flows and unrealised gains or losses relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group losses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the consolidated statement of income. Any investment retained is recognised at fair value.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations effective as of 1 January 2018
The accounting and reporting policies adopted in the preparation of these consolidated financial statements are consistent with those used in the previous year, except for certain new standards and interpretations and amendments to standards and interpretations adopted by the Group as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the impact of each new standard or amendment which management concluded has an impact for the Group is described below:

The Group applied, for the first time, IFRS 9 Financial Instruments and *IFRS 15 Revenue from Contracts with Customers*. The nature and effect of the changes as a results of adoption of new standards are disclosed below.

IFRS 9 Financial Instruments
IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

For the Group, classification and measurement and impairment aspects of IFRS 9 had an impact. Since the Group does not enter into derivative contracts, hedge accounting aspect had no impact.

The Group has applied IFRS 9 prospectively at the initial application date of 1 January 2018, without restating comparatives which continues to be presented under IAS 39. The adoption of IFRS 9 impacted the reclassification of the Group's investments in equity instruments from 'available-for-sale' to 'fair value through other comprehensive income' (FVOCI).

Classification and measurement of financial instruments
IFRS 9 requires all financial assets to be classified and subsequently measured at either amortised cost or fair value on the basis of the entity's business model for managing the assets and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

Financial assets at fair value through other comprehensive income (FVOCI)
(i) Equity instruments
On initial recognition, the Group made an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as FVOCI if the equity investment is not held for trading.

A financial asset or financial liability is held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
(c) it is a derivative (except for derivative that is a financial guarantee contract or a designated and effective hedging instrument).

The Board of Directors believes that designating the non-trading investments as FVOCI provides a more meaningful presentation for medium or long-term strategic investments, than reflecting changes in fair value in the consolidated statement of income.

Investment in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, these are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and "Fair value reserve" within the consolidated statement of changes in equity. The cumulative gains or losses are never recycled to the consolidated statement of income on disposal of equity investments.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations effective as of 1 January 2018 (continued)
IFRS 9 Financial Instruments (continued)
Classification and measurement of financial instruments (continued)
Financial assets at fair value through other comprehensive income (FVOCI) (continued)
(i) Equity instruments (continued)
Dividends on FVOCI investments in equity instruments continue to be recognised in the consolidated statement of income when the Group's right to receive the dividends is established, unless the dividends clearly recover part of the cost of the investment in equity instruments.

(ii) Debt instruments
The Group measures debt instruments at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals of impairment losses are recognised in the consolidated statement of income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in the consolidated statement of comprehensive income. Upon derecognition, the cumulative fair value change recognised in the consolidated statement of comprehensive income is recycled to the consolidated statement of income.

Financial assets measured at amortised cost
All other financial assets including trade receivables are initially recognised in accordance with the requirements of IFRS and are subsequently measured at amortised cost, depending on the classification of the financial assets as described below:

A financial asset is classified as ‘amortised cost’ only if both of the following criteria are met:

- the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. These are subsequently measured at amortised cost using the effective interest method (EIR) less any impairment. Gains and losses on disposal or impairment are recognised in the consolidated statement of income.

Impairment of financial assets
The adoption of IFRS 9 has changed the Group’s accounting for impairment losses for financial assets by replacing IAS 39’s 'incurred loss' approach with a 'forward-looking expected credit loss' (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss (FVTPL).

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows (including those arising from any credit enhancements that are part of the contract) that the Group expects to receive. The shortfall is then discounted at an approximation to the asset’s original effective interest rate.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations effective as of 1 January 2018 (continued)
IFRS 9 Financial Instruments (continued)
Impairment of financial assets (continued)
For 'Trade and other receivables', the Group has applied the Standard’s simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The impact of adoption of IFRS 9 on the Group's consolidated financial statements is presented below:

Transition
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied prospectively and the comparative information has not been restated. The difference in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in 'Retained earnings - distributable' as at 1 January 2018. Accordingly, the financial information presented for 2017 does not reflect the requirements of IFRS 9 and therefore may not comparable to the financial information presented for 2018 under IFRS 9.

i) Reconciliation of carrying amounts of financial assets as at 31 December 2017 and 1 January 2018
The following table reconciles the carrying amounts of financial assets as of 31 December 2017 to the carrying amounts determined by applying IFRS 9 on 1 January 2018:

	Carrying value as at 31 December 2017 BD	*Re-classification of financial assets BD*	*Allowance for expected credit losses (ECL) BD*	*Carrying value as at 1 January 2018 BD*
Financial assets				
Available-for-sale investments	**9,852,400**	**(9,852,400)**	-	-
Non-trading investments at FVOCI	-	**9,852,400**	-	**9,852,400**
Trade and other receivables	**8,298,885**	-	**(67,305)**	**8,231,580**
Cash, bank balances and short-term deposits	**2,779,561**	-	-	**2,779,561**
	20,930,846	-	**(67,305)**	**20,863,541**

ii) Impact on total reserves and non-controlling interests

	Total reserves BD	*Non-controlling interests BD*
	14,397,180	**2,708,756**
Recognition of allowance for impairment under IFRS 9	**(67,305)**	-
Net impact on adoption of IFRS 15	**(6,529)**	**(3,549)**
	(73,834)	**(3,549)**
Restated opening balance as at 1 January 2018	**14,323,346**	**2,705,207**

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations effective as of 1 January 2018 (continued)
IFRS 9 Financial Instruments (continued)
Transition (continued)
iii) Reconciliation of allowance recorded as at 31 December 2017 and 1 January 2018
The following table reconciles the previously recorded allowance for impairment of trade receivables as at 31 December 2017 to the revised allowance for expected credit losses as of 1 January 2018 on transition to IFRS 9:

	As at 31 December 2017	*Transition adjustment*	*As at 1 January 2018*
	BD	*BD*	*BD*
Allowance / ECL relating to:			
Trade and other receivables	**589,431**	**67,305**	**656,736**

IFRS 15 Revenue from Contracts with Customers
IFRS 15 supersedes IAS 11 *Construction Contracts,* IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using full retrospective method of adoption. The effect of transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Group did not apply any of the other available optional practical expedients.

The Group's revenue from contracts with customers arises from sale of goods and rendering of services. The specific revenue recognition policies in respect of these contracts with customers are presented below:

(i) Sale of goods
The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer (generally on delivery of goods). Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition. The transaction price of the goods sold is determined taking into account the effects of variable consideration (refer below). The Group has concluded that its contracts with customers do not involve significant financing components or non-cash considerations.

Variable consideration
Certain contracts for the sale of goods provide customers with right of return, volume rebates and display fees. Under IFRS 15, rights of return, volume rebates and display fees give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred.

a) Rights of return
When a contract provides a customer with a right to return the goods within a specified period, the Group estimates expected returns using a probability-weighted average. Prior to adoption of IFRS 15, the amount of revenue related to the expected returns was deferred and recognised in the statement of financial position within 'Trade and other payables' with a corresponding adjustment to 'Cost of sales'. The initial carrying amount of goods expected to be returned was included within 'Inventories'.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations effective as of 1 January 2018 (continued)
IFRS 15 Revenue from Contracts with Customers (continued)
(i) Sale of goods (continued)
Variable consideration (continued)
a) Rights of return (continued)
Under IFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Group uses the expected value method to estimate the goods that will be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The Group applies the requirements in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. The Group presents a refund liability and an asset for the right to recover products from a customer separately in the consolidated statement of financial position. Upon adoption of IFRS 15, the Group reclassified 'Trade and other payables' to 'Contract and refund liabilities' and 'Inventories' to 'Right of return assets' as at 1 January 2017. In addition, the remeasurement resulted in additional 'Contract and refund liabilities' and 'Right of return assets' in the consolidated statement of financial position as at 1 January 2017. The Group determined the amounts of 'Refund liabilities' and 'Right of return assets' and the net effect was adjusted in 'Retained earnings' in the consolidated statement of changes in equity.

The consolidated statement of financial position as at 31 December 2017 was restated resulting in recognition of 'Right of return assets' and 'Contract and refund liabilities' of BD 32,976 and BD 43,054 respectively and decreases in 'Trade and other payables', 'Inventories' and 'Retained earnings - distributable' of BD 43,054, BD 32,976 and BD 10,078 respectively. The consolidated statement of income for the year ended 31 December 2017 was also restated resulting in decreases in 'Revenue from contracts with customers' and 'Costs of revenue' of BD 43,054 and BD 32,976 respectively.

b) Volume rebates
The Group provides retrospective volume rebates to its customers on certain products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer.

Under IFRS 15, retrospective volume rebates give rise to variable consideration. The Group estimates the variable consideration to which it will be entitled by applying the ‘most likely amount method’ for contracts with a single volume threshold and the ‘expected value method’ for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates. Upon adoption of IFRS 15, the Group recognised 'Contract and refund liabilities' for the expected future rebates, derecognised the provision for rebates previously recognised under 'Trade and other payables' and adjusted the 'Retained earnings' for the difference.

The consolidated statement of financial position as at 31 December 2017 was restated resulting in recognition of 'Contract and refund liabilities' of BD 124,081 and decreases in 'Trade and other payables' of BD 124,081. The consolidated statement of income for the year ended 31 December 2017 was also restated resulting in a decrease in 'Revenue from contracts with customers' and 'Selling and distribution expenses' of BD 822,592.

c) Display fees
The Group pays display fees to its customers for renting of shelf for displaying its products. Display fees are offset against amounts payable by the customer.

Under IFRS 15, display fees give rise to variable consideration which the Group applies by reducing the revenue.

The consolidated statement of income for the year ended 31 December 2017 was restated in respect of display fees resulting in a decrease in 'Revenue from contracts with customers' and 'Selling and distribution expenses' of BD 282,962.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations effective as of 1 January 2018 (continued)
IFRS 15 Revenue from Contracts with Customers (continued)
(ii) Rendering of services
Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date.

Under IFRS 15, the Group concluded that revenue for rendering of services continue to be recognised over time using relevant input methods. The Group's revenue from rendering of services mainly relates to storage income which was previously presented separately in the consolidated statement of income. Upon adoption of IFRS 15, storage income, which was separately disclosed in prior year, is presented under revenue from contracts with customers.

IFRIC 22 Foreign Currency Transactions and Advance Consideration
The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group’s consolidated financial statements.

Several other new standards and interpretations and amendments to standards and interpretations applied for the first time in 2017. However, they did not impact the consolidated financial statements of the Group.

Foreign currency transactions
The Group’s consolidated financial statements are presented in Bahraini Dinars (BD) which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle to the consolidated statement of income the gain or loss that arises from using this method.

Transactions and balances
Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in the consolidated statement of comprehensive income or the consolidated statement of income is also recognised in the consolidated statement of comprehensive income or the consolidated statement of income, respectively).

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into BD at the rate of exchange prevailing at the reporting date and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation for consolidation are recognised in the consolidated statement of comprehensive income. On disposal of a foreign operation, the component recognised in the consolidated statement of comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

Revenue from contract with customers

The Group is in the business of production, marketing and trading in food products and beverages and providing storage and logistics services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

The recognition criteria for various types of revenue are as follows:

Sale of goods

Revenue from sale of goods is recognised at the point in time when control is transferred to the customer, generally on delivery of the goods. The normal credit term is 60 to 90 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any). Presently only variable consideration has an effect on the Group's revenue recognition.

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

- *Rights of return*

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

- *Volume rebates*

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (continued)
Other revenue
Interest income
Interest income is recorded using the effective interest rate (EIR) method, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Dividend income
Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders of the investee approve the dividend.

Other revenue
Other revenue is recognised on an accrual basis when income is earned.

(ii) Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies relating to financial assets for further details.

(iii) Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(iv) Right of return assets
Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

(v) Refund liabilities
A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

Property, plant and equipment
Property, plant and equipment is stated at cost, net of accumulated depreciation and impairment in value, if any. Such cost includes the cost of replacing a part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of income when incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, except for freehold land and capital work-in-progress, as follows:

- Buildings on leasehold land	lesser of 10 to 30 years or lease term
- Plant, machinery and cold store equipment	over 2 to 10 years
- Furniture, fixtures and office equipment	over 2 to 5 years
- Motor vehicles	over 4 to 12 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the consolidated statement of income in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate.

Inventories
Inventories are stated at the lower of cost and net realisable value after making due provision for any obsolete or slow moving items. Costs are those expenses incurred in bringing each product to its present location and condition, and are accounted for as follows:

Raw materials, consumables, spare parts and other items	-	landed costs on a weighted average basis.
Finished goods	-	costs of direct materials and labour and proportion of manufacturing overheads based on normal operating capacity.
Goods for sale	-	landed costs on a first-in, first-out basis.

Net realisable value is based on estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices or other available fair value indicators.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
The impairment calculation is based on detailed budgets and forecasts for a period of five years, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

An assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

Investment in an associate
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investment in an associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of the investee is presented as part of the consolidated statement of comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the investment in the associate.

The aggregate of the Group's share of results of an associate is shown on the face of the consolidated statement of income outside operating profit and represents results after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate is prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of results of associate' in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on a current/non-current classification.

An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Financial instruments - initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets (policy applicable from 1 January 2018)
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)
i) Financial assets [policy applicable from 1 January 2018] (continued)
Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group’s financial assets at amortised cost includes a portion of trade and other receivables.

Financial assets at fair value through OCI
(i) Equity instruments
The Group classifies equity instruments at FVOCI if the asset is not held for trading. A financial asset is held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
(c) it is a derivative (except for derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets classified at FVOCI are subsequently measured at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The cumulative gains or losses recognised in "Fair value reserve" within the consolidated statement of changes in equity are never reclassified to the consolidated statement of income on disposals.

Dividends are recognised as investment income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in the consolidated statement of other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group's equity instruments at fair value through other comprehensive income includes investments in equity instruments of quoted and unquoted companies and included in non-trading investments.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)
i) Financial assets [policy applicable from 1 January 2018] (continued)
Financial assets at fair value through OCI (continued)
(ii) Debt instruments
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments classified at FVOCI are subsequently measured at fair value with changes in fair value are recognised in the consolidated statement of comprehensive income. The cumulative gains or losses recognised in 'fair value reserve' within consolidated statements of changes equity and are recognised in the consolidated statement of income on disposal.

Interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost.

The Group's debt instruments at fair value through OCI include investments in quoted debt instruments.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and bank balances, net of outstanding bank overdrafts.

Derecognition of financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Group has transferred substantially all the risks and rewards of the asset, or
  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)
i) Financial assets [policy applicable from 1 January 2018] (continued)
Derecognition of financial assets (continued)
When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables which is the only significant financial asset exposed to crdit risk, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for any relevant forward-looking factors.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial assets (policy applicable prior to 1 January 2018)
Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date the Group commits to purchase or sell the asset.

The Group's financial assets include non-trading investments, a certain portion of trade and other receivables and bank balances and cash.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)
ii) Financial assets (policy applicable prior to 1 January 2018) (continued)
Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

Available-for-sale investments
Available-for-sale financial investments include non-trading investments in equity securities. Equity investments classified as available-for sale are those, which are neither classified as held-for-trading nor designated at fair value through profit or loss.

After initial measurement, non-trading investments are subsequently measured at fair value with unrealised gains or losses recognised in the consolidated statement of comprehensive income and taken to 'Fair value reserve within the consolidated statement of changes in equity until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated statement of income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of income and removed from 'Fair value reserve'.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR, less any impairment in value. A certain portion of trade and other receivables are classified as loans and receivables.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and bank balances, net of outstanding bank overdrafts.

Impairment of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Available-for-sale investments
For available-for-sale investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In case of equity instruments classified as available-for-sale, objective evidence would include a "significant" or "prolonged" decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income is removed from the consolidated statement of comprehensive income and recognised in the consolidated statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

ii) Financial assets (policy applicable prior to 1 January 2018) (continued)

Financial assets carried at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) and recognised in the consolidated statement of income. The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If an asset has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

iii) Financial liabilities (policy applicable prior and after 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or financial liabilities at amortised cost as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group’s financial liabilities include a portion of trade and other payables and loans and borrowings comprising loans from non-controlling interests, term loans, import loans and bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Trade and other payables

Liabilities for trade and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Treasury shares
Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated statement of income on the purchase, sale, issue or cancellation of own equity instruments. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Employees' end of service benefits
The Group makes contributions to the Social Insurance Organisation (SIO), Bahrain for its Bahraini employees and Public Authority for Social Security, Kuwait for its Kuwaiti employees, calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

The Group also provides for end of service benefits for its expatriate employees. The entitlement to these benefits is based upon the employee's final salary and length of service. The expected costs of these benefits are accrued over the period of employment.

Operating leases
Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires the Board of Directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

(i) Judgements
In the process of applying the Group’s accounting policies, the Board of Directors has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Going concern
The Company's Board of Directors has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue the business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast a significant doubt about the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Classification of investments
The Group's management determines the classification of investments on initial recognition as "financial asset at fair value through profit or loss" or "financial asset at fair value through other comprehensive income". The investments are classified as "financial asset at fair value through profit or loss" if they are acquired for the purpose of selling in the near term. All other investments are classified as "financial asset at fair value through other comprehensive income".

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

The Group has entered into commercial property leases for its office and warehouse buildings. The Group has determined, based on an evaluation of the terms and conditions of the arrangements that the lessor retains all the significant risks and rewards of ownership of the land and so accounts for the contracts as operating leases.

(ii) Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group.

Valuation of unquoted non-trading investments
Management uses its best judgement in determining fair values of the unquoted private equity investments by reference to using fair value provided by the investment managers or other appropriate valuation techniques including fair values determined based on unobservable inputs using a market multiples or other appropriate valuation methodologies.

Management uses its best judgement, however, the actual amount realised in a future transaction may differ from the current estimate of fair value given the inherent uncertainty surrounding the valuation of unquoted equity investments.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(ii) Estimates and assumptions (continued)

Provision for slow moving and obsolete inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices and next year budget.

At the reporting date, gross inventories amounted to BD 8,449,119 (2017: BD 8,817,032), with a provision for slow moving and obsolete inventories of BD 719,916 (2017: BD 656,946). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of income.

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. The Board of Directors does not believe that there is any impairment of property, plant and equipment as at 31 December 2018 and 31 December 2017.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual values and useful lives annually and future depreciation charges would be adjusted where management believes the useful lives differ from previous estimates.

Allowance for expected credit losses of trade receivables

The determination of 'allowance of expected credit losses' as discussed in note 2 involves estimates and assumptions.

Estimating variable consideration for returns and volume rebates

The Group estimates variable considerations to be included in the transaction price for the sale of good with rights of return and volume rebates.

The Group used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date.

For volume rebates for contract with more than one volume threshold, the Group uses the historical purchasing patterns and rebates entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(ii) Estimates and assumptions (continued)

Estimating variable consideration for returns and volume rebates (continued)

The Group updates its assessment of expected returns and volume rebates on a quarterly basis and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future. As at 31 December 2018, the amount recognised as refund liabilities for the expected returns and contract liability for volume rebates was BD 115,778 (2017: BD 124,081) and BD 50,274 (2017: BD 43,054) respectively.

4 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single statement of financial position model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

Based on the impact assessment and information currently available, the Group is expected to recognise right-of-use assets and lease liabilities approximately of BD 2 million as at 1 January 2019.

IAS 28 Investment in Associates and Joint Ventures (Amendments): Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

4 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

IAS 28 Investment in Associates and Joint Ventures (Amendments): Long-term interests in associates and joint ventures (continued)
The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group’s current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments are not expected to have any impact on the consolidated financial statements of the Group.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors’ interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The amendments are not expected to have any impact on the Group's consolidated financial statements.

Other amendments resulting from new standards and interpretations and amendments to standards and interpretations will not have any impact on the accounting policies, consolidated financial position or consolidated financial performance of the Group.

5 REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table presents the disaggregation of the Group's revenue from contracts with customers for the years ended 31 December 2018 and 31 December 2017:

	Imported foodstuff				*Dairy products and*		*Fruits and*		*Storage and*			
	Wholesale		*Retail*		*beverages*		*vegetables*		*logistics*		*Total*	
	2018	*2017*	***2018***	*2017*	***2018***	*2017*	***2018***	*2017*	***2018***	*2017*	***2018***	*2017*
	BD	*BD*	***BD***	*BD*	***BD***	*BD*	***BD***	*BD*	***BD***	*BD*	***BD***	*BD*
		(Restated)		*(Restated)*		*(Restated)*		*(Restated)*		*(Restated)*		*(Restated)*
Types of revenue												
Sale of goods	**17,754,165**	16,931,429	**2,471,325**	2,792,114	**16,339,288**	16,388,978	**2,238,747**	3,174,988	**-**	-	**38,803,525**	39,287,509
Rendering of services	**-**	-	**-**	-	**-**	-	**-**	-	**718,286**	578,605	**718,286**	578,605
Total revenue from contracts with customers	**17,754,165**	16,931,429	**2,471,325**	2,792,114	**16,339,288**	16,388,978	**2,238,747**	3,174,988	**718,286**	578,605	**39,521,811**	39,866,114
Geographic markets												
Bahrain	**17,754,165**	16,931,429	**2,471,325**	2,792,114	**13,308,121**	13,421,537	**2,238,747**	3,174,988	**718,286**	578,605	**36,490,644**	36,898,673
Kuwait	**-**	-	**-**	-	**3,031,167**	2,967,441	**-**	-	**-**	-	**3,031,167**	2,967,441
Total revenue from contracts with customers	**17,754,165**	16,931,429	**2,471,325**	2,792,114	**16,339,288**	16,388,978	**2,238,747**	3,174,988	**718,286**	578,605	**39,521,811**	39,866,114
Timing of revenue recognition												
Goods transferred at a point in time	**17,754,165**	16,931,429	**2,471,325**	2,792,114	**16,339,288**	16,388,978	**2,238,747**	3,174,988	**-**	-	**38,803,525**	39,287,509
Services transferred over time	**-**	-	**-**	-	**-**	-	**-**	-	**718,286**	578,605	**718,286**	578,605
Total revenue from contracts with customers	**17,754,165**	16,931,429	**2,471,325**	2,792,114	**16,339,288**	16,388,978	**2,238,747**	3,174,988	**718,286**	578,605	**39,521,811**	39,866,114

6 PROFIT OF THE GROUP FOR THE YEAR

Profit of the Group for the year is stated after charging:

	2018	*2017*
	BD	*BD*
		(Restated)
Inventories recognised as an expense on sale of finished goods	**27,083,958**	27,218,382
Provision for slow moving and obsolete inventories (note 13)	**62,970**	71,312
Allowance for expected credit losses on trade receivables (note 14)	**78,506**	85,512
Operating lease rentals included in general and administration expenses	**283,630**	281,262
Gain on disposals of property, plant and equipment	**31,570**	2,833

	2018	*2017*
	BD	*BD*
Finance costs		
Interest on term loans, import loans and a loans from non-controlling interests	**139,550**	162,925
Interest on bank overdrafts	**22,980**	28,597
Bank charges	**15,630**	14,506
	178,160	206,028

	2018	*2017*
	BD	*BD*
Personnel costs		
Salaries and wages	**3,691,509**	3,668,979
Contributions to Social Insurance Organisation (SIO), Bahrain and Public Authority for Social Security, Kuwait	**260,893**	219,261
Employees' end of service benefits (note 24)	**177,117**	192,735
Other benefits	**981,632**	966,050
	5,111,151	5,047,025

The personnel costs have been presented in the consolidated statement of income under the following:

	2018	*2017*
	BD	*BD*
Costs of revenue	**1,471,258**	1,424,495
Personnel costs	**3,639,893**	3,622,530
	5,111,151	5,047,025

7 NET INVESTMENT INCOME

	2018	*2017*
	BD	*BD*
Dividend income	**575,214**	540,688
Gain on disposals of non-trading investments (net)	**-**	338,539
	575,214	879,227

8 EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit for the year attributable to the shareholders of Trafco Group B.S.C. by the weighted average number of shares outstanding during the year, excluding the average number of shares repurchased by the Company and held as treasury shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2018	*2017 (Restated)*
Profit for the year attributable to the shareholders of Trafco – BD	**1,838,292**	1,674,471
Weighted average number of shares, net of treasury shares	**77,003,976**	77,034,935
Basic and diluted earnings per share (fils)	**24**	22

Basic and diluted earnings per share are the same as the Company has not issued any instruments that would have a dilutive effect.

There have been no other transactions involving ordinary or potential ordinary shares between the reporting date and the date of issue of these consolidated financial statements, that would have a dilutive effect.

9 PROPERTY, PLANT AND EQUIPMENT

	Freehold land BD	*Buildings on leasehold land BD*	*Plant, machinery and cold store equipment BD*	*Furniture, fixtures and office equipment BD*	*Motor vehicles BD*	*Capital work-in-progress BD*	*Total BD*
Cost:							
At 1 January 2018	1,956,165	7,806,448	13,763,968	1,697,960	2,844,576	164,334	28,233,451
Additions	-	7,880	170,322	51,752	242,444	629,514	1,101,912
Transfers	-	6,250	68,493	6,950	2,530	(84,223)	-
Disposals	-	(12,584)	(134,607)	(27,564)	(63,501)	-	(238,256)
At 31 December 2018	1,956,165	7,807,994	13,868,176	1,729,098	3,026,049	709,625	29,097,107
Accumulated depreciation:							
At 1 January 2018	-	4,180,324	11,427,975	1,448,218	2,280,683	-	19,337,200
Charge for the year	-	224,454	473,866	75,691	193,517	-	967,528
Relating to disposals	-	(12,583)	(134,135)	(25,872)	(60,256)	-	(232,846)
At 31 December 2018	-	4,392,195	11,767,706	1,498,037	2,413,944	-	20,071,882
Net book values:							
At 31 December 2018	**1,956,165**	**3,415,799**	**2,100,470**	**231,061**	**612,105**	**709,625**	**9,025,225**

Buildings and plant and machinery having net book values of BD 117,951 (2017: BD 131,410) are situated on land owned by the Government of Kingdom of Bahrain. No lease agreement exists between the Government and the Group.

Buildings and plant and machinery of subsidiaries having net book values of BD 4,511,649 (2017: BD 4,785,239) are situated on leasehold land. During the year lease was renewed by the parent company upto 2033.

Buildings of a subsidiary having net book value of BD 157,908 (2017: BD 185,022) are situated on a land leased from related parties. The original lease was for a period of 25 years starting 1 July 1980 and has been further renewed upto 1 October 2020.

9 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land BD	*Buildings on leasehold land BD*	*Plant, machinery and cold store equipment BD*	*Furniture, fixtures and office equipment BD*	*Motor vehicles BD*	*Capital work-in-progress BD*	*Total BD*
Cost:							
At 1 January 2017	1,507,191	7,748,953	13,221,377	1,617,316	2,638,268	159,127	26,892,232
Additions	448,974	57,495	147,508	91,727	218,724	489,794	1,454,222
Transfers	-	-	426,268	1,441	56,878	(484,587)	-
Disposals	-	-	(31,185)	(12,524)	(69,294)	-	(113,003)
At 31 December 2017	1,956,165	7,806,448	13,763,968	1,697,960	2,844,576	164,334	28,233,451
Accumulated depreciation:							
At 1 January 2017	-	3,955,035	10,921,352	1,384,131	2,145,630	-	18,406,148
Charge for the year	-	225,289	537,804	75,960	202,436	-	1,041,489
Relating to disposals	-	-	(31,181)	(11,873)	(67,383)	-	(110,437)
At 31 December 2017	-	4,180,324	11,427,975	1,448,218	2,280,683	-	19,337,200
Net book values:							
At 31 December 2017	1,956,165	3,626,124	2,335,993	249,742	563,893	164,334	8,896,251

9 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation charge for the year has been allocated in the consolidated statement of income as follows:

	2018	*2017*
	BD	*BD*
Costs of revenue	**567,981**	629,614
Depreciation	**399,547**	411,875
	967,528	1,041,489

10 INVESTMENT IN AN ASSOCIATE

The Group owns a 36.26% (2017: 36.26%) interest in Bahrain Livestock Company B.S.C. (c), a company registered in the Kingdom of Bahrain and engaged in the import of both livestock and chilled meat in the Kingdom of Bahrain.

The movements in the carrying values of the investment in an associate, are as follows:

	2018	*2017*
	BD	*BD*
At 1 January	**1,802,625**	1,980,860
Share of results for the year	**(174,044)**	(168,315)
Net changes in fair value of associate's non-trading investments during the year	**6,655**	(9,920)
At 31 December	**1,635,236**	1,802,625

The following table illustrates the summarised financial information of the Group's investment in an associate:

	2018	*2017*
	BD	*BD*
Associate's summarised statement of financial position:		
Current assets	**4,888,085**	5,257,581
Non-current assets	**974,251**	939,775
Current liabilities	**(1,307,551)**	(1,187,502)
Non-current liabilities	**(45,032)**	(38,467)
Equity	**4,509,753**	4,971,387
Proportion of the Group's ownership	**36.26%**	36.26%
Carrying amount of the investment in an associate	**1,635,236**	1,802,625

10 INVESTMENT IN AN ASSOCIATE (continued)

	2018	*2017*
	BD	*BD*
Associate's summarised statement of comprehensive income:		
Revenue	**5,680,567**	7,711,744
Costs of revenue	**(5,298,160)**	(7,226,647)
General and administration expenses	**(556,204)**	(681,132)
Depreciation	**(130,804)**	(143,851)
Finance costs	**(175,389)**	(124,303)
Loss for the year	**(479,990)**	(464,189)
Proportion of the Group's ownership	**36.26%**	36.26%
Group's share of results for the year	**(174,044)**	(168,315)

The share of results of the associate is recognised based on the approved management accounts for the years ended 31 December 2018 and 31 December 2017.

The associate has no significant contingencies or capital commitments as at 31 December 2018 and 31 December 2017.

11 NON-TRADING INVESTMENTS

	2018	*2017*
	BD	*BD*
Quoted equity investments at FVOCI:		
- in Bahrain	**6,227,761**	5,497,191
- other GCC countries	**546,769**	547,039
	6,774,530	6,044,230
Unquoted equity investments at FVOCI:		
- in Bahrain	**3,750,897**	3,602,368
- other GCC countries	**135,204**	205,802
	3,886,101	3,808,170
Total equity investments at FVOCI	**10,660,631**	9,852,400
Quoted debt instruments at FVOCI:		
- in Bahrain	**300,000**	-
	10,960,631	9,852,400

Movements in non-trading investments during the year were as follows:

	2018	*2017*
	BD	*BD*
At 1 January	**9,852,400**	9,484,699
Purchase of investments	**884,166**	193,677
Net changes in fair values	**224,065**	1,096,749
Disposals of investments at book value	-	(767,143)
Return of capital	-	(15,000)
Impairment in value	-	(140,582)
At 31 December	**10,960,631**	9,852,400

Quoted equity investments

The fair values of the quoted equity investments are determined by reference to published price quotations in active markets.

11 NON-TRADING INVESTMENTS (continued)

Unquoted equity investments
The fair values of unquoted equity investments have been estimated using fair value provided by the investment managers or other appropriate valuation techniques including fair values determined based on unobservable inputs using market multiples or other appropriate valuation methodologies.

Quoted debt instruments
The fair values of the quoted debt instruments are determined by reference to published price quotations in an active market.

12 FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

	Fair value measurement using			
	Quoted prices in active markets Level 1	***Significant observable inputs Level 2***	***Significant unobservable inputs Level 3***	***Total***
31 December 2018	***BD***	***BD***	***BD***	***BD***
Assets measured at fair value				
Non-trading investments				
Quoted equity (note 11)	**6,774,530**	-	-	**6,774,530**
Unquoted equity (note 11)	-	-	**3,886,101**	**3,886,101**
Quoted debt (note 11)	**300,000**	-	-	**300,000**
	7,074,530	-	**3,886,101**	**10,960,631**

Liabilities measured at fair value:
There were no liabilities measured at fair value as of 31 December 2018 and 31 December 2017.

	Fair value measurement using			
	Quoted prices in active markets Level 1	*Significant observable inputs Level 2*	*Significant unobservable inputs Level 3*	*Total*
31 December 2017	*BD*	*BD*	*BD*	*BD*
Assets measured at fair value				
Non-trading investments				
Quoted equity (note 11)	6,044,230	-	-	6,044,230
Unquoted equity (note 11)	-	-	3,808,170	3,808,170
	6,044,230	-	3,808,170	9,852,400

During the years ended 31 December 2018 and 31 December 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Level 3 equity securities have been estimated using fair value provided by the investment managers or other appropriate valuation techniques including fair values determined based on unobservable inputs using market multiples or other appropriate valuation methodologies.

12 FAIR VALUE HIERARCHY (continued)

Reconciliation of fair value measurements of level 3 financial instruments
Movements in the fair values of financial assets classified as level 3 category were as follows:

	2018 ***BD***	*2017* *BD*
At 1 January	**3,808,170**	2,513,433
Return of capital	**-**	(15,000)
Net changes in fair value	**77,931**	1,309,737
At 31 December	**3,886,101**	3,808,170

13 INVENTORIES

	2018 ***BD***	*2017* *BD* *(Restated)*
Goods for sale	**3,080,121**	3,590,732
Raw materials and consumables [net of provision for slow moving and obsolete inventories of BD 247,686 (2017: BD 222,039)]	**2,052,323**	2,303,925
Goods-in-transit	**1,655,268**	1,230,508
Finished goods [net of provision for slow moving and obsolete inventories of BD 15,712 (2017: BD 7,825)]	**764,662**	835,647
Spare parts and other items [net of allowance for slow moving and obsolete inventories of BD 456,518 (2017: BD 427,082)]	**176,829**	199,274
	7,729,203	8,160,086

Movements in the provision for slow moving and obsolete inventories were as follows:

	2018			
	Raw materials and consumables BD	***Finished goods BD***	***Spare parts and other items BD***	***Total BD***
At 1 January 2018	**222,039**	**7,825**	**427,082**	**656,946**
Net charge for the year	**25,647**	**7,887**	**29,436**	**62,970**
At 31 December 2018	**247,686**	**15,712**	**456,518**	**719,916**

	2017			
	Raw materials and consumables BD	*Finished goods BD*	*Spare parts and other items BD*	*Total BD*
At 1 January 2017	180,350	7,638	397,646	585,634
Net charge for the year	41,689	187	29,436	71,312
At 31 December 2017	222,039	7,825	427,082	656,946

14 TRADE AND OTHER RECEIVABLES

	2018	*2017*
	BD	*BD*
Trade receivables [net of allowance for expected credit loss BD 665,592 (2017: BD 589,431)]	**7,594,654**	7,456,907
Trade receivables - related parties (note 30)	**149,119**	131,268
	7,743,773	7,588,175
Other receivables	**429,494**	506,929
Prepayments	**176,201**	181,528
Deposits	**27,574**	19,627
Due from related parties (note 30)	**-**	2,626
	8,377,042	8,298,885

Terms and conditions of the above financial assets are as follows:

- Trade receivables are non-interest bearing and are normally settled on 60 to 90 day terms.
- For terms and conditions of trade receivables - related parties and amounts due to related parties, refer to note 30.
- Other receivables are non interest-bearing and have terms ranging between one and three months.

Trade receivables at a value of BD 665,592 (2017: BD 589,431) were impaired and provided for as at 31 December 2018. For disclosures of the Group's credit risk management processes, refer to note 32.

Movements in the expected credit losses of trade receivables were as follows:

	2018	*2017*
	BD	*BD*
At 1 January	**589,431**	562,811
IFRS 9 transition adjustment	**67,305**	-
Charge for the year	**78,506**	85,512
Amounts written off	**(69,650)**	(58,892)
At 31 December	**665,592**	589,431

The ageing analysis of unimpaired trade receivables as at 31 December, is as follows:

			Past due but not impaired		
	Total	*Neither past due nor impaired*	*Less than 30 days*	*30 to 60 days*	*More than 60 days*
	BD	*BD*	*BD*	*BD*	*BD*
2018					
Gross trade receivables	**8,409,365**	**4,757,831**	**2,552,455**	**352,534**	**746,545**
Expected credit loss	**(665,592)**	**(11,087)**	**(17,356)**	**(2,865)**	**(634,284)**
At 31 December	**7,743,773**	**4,746,744**	**2,535,099**	**349,669**	**112,261**
2017	7,588,175	3,900,807	1,917,917	1,241,468	527,983

Unimpaired trade receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over trade receivables.

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows consist of the following amounts:

	2018	*2017*
	BD	*BD*
Bank balances and cash	**1,987,607**	2,779,561
Bank overdrafts	**(186,498)**	(364,869)
Cash and cash equivalents as at 31 December	**1,801,109**	2,414,692

Bank overdrafts are denominated mainly in Bahraini Dinars and the United States Dollars and carry interest at commercial rates.

The Group has BD 17,310,136 (2017: BD 15,593,807) of undrawn borrowing facilities as at 31 December 2018.

16 SHARE CAPITAL

	2018	*2017*
	BD	*BD*
Authorised:		
100,000,000 (2017: 100,000,000) shares of BD 0.100 each	**10,000,000**	10,000,000
Issued, subscribed and fully paid-up:		
80,675,052 (2017: 80,675,052) shares of BD 0.100 each	**8,067,505**	8,067,505

17 TREASURY SHARES

Treasury shares represent 3,740,117 (2017: 3,640,117) shares amounting to BD 866,096 (2017: BD 834,008), representing 4.64% (2017: 4.51%) of the issued share capital, held by the Company. During the year, the Company repurchased 100,000 (2017: nil) additional shares for cash consideration of BD 32,088 (2017: nil).

18 SHARE PREMIUM

The share premium has arisen on the issue of shares in 2000 and rights shares issued in 2008 and is not available for distribution, but can be utilised as stipulated in the Bahrain Commercial Companies Law.

19 STATUTORY RESERVE

As required by the Bahrain Commercial Companies Law and the Company's articles of association, 10% of the profit for the year has been transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued and paid-up share capital. During the year, the Company transferred BD 185,480 (2017: BD 168,521) to statutory reserve.

The reserve cannot be utilised for the purpose of a distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

20 GENERAL RESERVE

The general reserve has been made in accordance with the articles of association of the Company. The Company may resolve to discontinue such annual transfers, when deemed appropriate. There are no restrictions on the distribution of this reserve. During the year, the Company transferred BD 50,000 (2017: BD 50,000) to the general reserve.

21 FAIR VALUE RESERVE

This reserve relates to fair value changes of non-trading investments, changes in fair value of associate's non-trading investments and foreign exchange differences on translation of foreign operations.

22 RETAINED EARNINGS - NON-DISTRIBUTABLE

This represents the Group’s share in the statutory reserves of its subsidiaries and is not available for distribution. During the year, the Company transferred BD 80,525 (2017: BD 71,138) relating to its share of statutory reserve transferred by one of its subsidiaries.

23 DIVIDENDS PAID AND PROPOSED

At the annual general meeting of the shareholders held on 26 March 2018, a cash dividend of 16 fils per share, excluding treasury shares, totaling BD 1,232,559 for the year ended 31 December 2017 was declared and paid (2017: 17 fils per share, excluding treasury shares, totaling BD 1,309,594 relating to 2016).

A cash dividend of 18 fils per share, excluding treasury shares, totaling BD 1,384,829 (2017: a cash dividend of 16 fils per share, excluding treasury shares, totaling BD 1,232,559) has been proposed by Board of Directors and will be submitted for formal approval of shareholders at the Annual General Meeting.

24 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the employees' end of service benefits are as follows:

	2018 BD	*2017 BD*
At 1 January	**1,303,829**	1,216,365
Provided during the year (note 6)	**177,117**	192,735
Paid during the year	**(148,283)**	(105,271)
At 31 December	**1,332,663**	1,303,829

25 LOANS FROM NON-CONTROLLING INTERESTS

The loans were unsecured and had no fixed repayment terms. The loans carried an effective interest rate of 5% per annum and were fully repaid during the year.

26 TERM LOANS

		Interest rate	Maturity	**2018 BD**	*2017 BD*
a)	Loan from Bahrain Islamic Bank B.S.C.	6.25% p.a.	March 2025	**454,080**	-
b)	Loan from Ahli United Bank B.S.C. - 1	Three-month BIBOR plus 3% p.a.	March 2019	**20,841**	104,173
c)	Loan from National Bank of Bahrain B.S.C.	Three-month BIBOR plus 2.15% p.a.	December 2018	-	125,000
d)	Loan from Ahli United Bank B.S.C. - 2	Three-month BIBOR plus 2.25% p.a.	May 2018	-	666,668
				474,921	895,841

The term loans are presented in the consolidated statement of financial position as follows:

	2018 BD	*2017 BD*
Non-current	**392,361**	437,512
Current	**82,560**	458,329
	474,921	895,841

Loan instalments payable within twelve months from the consolidated statement of financial position date are disclosed as current portion and remaining are disclosed as non-current. These loans are secured by promissory notes issued by the Group.

The terms of the loan agreements require compliance with certain covenants relating to financial ratios and the declaration of dividends to shareholders. As of 31 December 2018 the Group is in compliance with all applicable covenants.

27 TRADE AND OTHER PAYABLES

	2018 BD	*2017 BD (Restated)*
Trade payables	**3,734,155**	3,280,581
Accrued expenses	**1,598,916**	1,545,280
Unclaimed dividends payable	**440,616**	435,551
Other payables	**483,189**	354,794
Due to related parties (note 30)	**281,795**	423,403
	6,538,671	6,039,609

Terms and conditions of the above financial liabilities:
- Trade payables are non-interest bearing and are normally settled on 60 to 90 day terms.
- For terms and conditions relating to amounts due to related parties, refer to note 30.
- Other payables are non-interest bearing and have average terms ranging between one to six months.

28 IMPORT LOANS

These represent loans obtained from commercial banks for the import of raw materials and finished goods with a weighted average effective interest rate of 5.04% (2017: 3.52%) per annum and secured by promissory notes issued by the Group.

29 MATERIAL PARTLY-OWNED SUBSIDIARY

The Group holds 51% shareholding in Awal Dairy Company W.L.L., a subsidiary incorporated in the Kingdom of Bahrain and engaged in production and supply of milk, juices, ice cream and tomato paste.

The summarised financial information of the subsidiary as at 31 December 2018 and 31 December 2017 is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of comprehensive income:	***2018 BD***	*2017 BD (Restated)*
Revenue	**14,700,743**	14,640,621
Other operating income	**73,020**	26,348
Costs of revenue	**(10,607,563)**	(10,704,504)
Selling and distribution expenses	**(645,017)**	(654,992)
Personnel costs	**(1,401,683)**	(1,366,815)
General and administration expenses	**(410,351)**	(345,675)
Finance costs	**(16,885)**	(56,115)
Depreciation	**(146,081)**	(145,266)
Exchange gains - net	**14,082**	23,144
Profit for the year	**1,560,265**	1,416,746
Other comprehensive (loss) income	**(15,868)**	25,811
Total comprehensive income	**1,544,397**	1,442,557
Attributable to non-controlling interests	**756,755**	706,853
Dividends paid to non-controlling interest	**357,162**	-

Summarised statement of financial position:	***2018 BD***	*2017 BD (Restated)*
Inventories and cash and bank balances (current)	**4,549,554**	5,254,657
Property, plant and equipment and other (non-current)	**1,596,604**	1,359,518
Non-trading investments (non-current)	**356,062**	-
Trade and other receivables (current)	**3,147,933**	3,228,069
Trade and other payable (current)	**(2,697,578)**	(2,777,877)
Interest-bearing loans and borrowings (non-current)	**-**	(1,000,000)
Employees' end of service benefits (non-current)	**(613,336)**	(543,534)
Equity	**6,339,239**	5,520,833
Attributable to:		
Equity holders of parent	**3,233,012**	2,815,625
Non-controlling interests	**3,106,227**	2,705,208
	6,339,239	5,520,833

29 MATERIAL PARTLY-OWNED SUBSIDIARY (continued)

Summarised statement of cash flows information:	***2018*** ***BD***	*2017* *BD* *(Restated)*
Net cash flows from operating activities	**2,428,792**	2,439,686
Net cash flows used in investing activities	**(946,544)**	(400,533)
Net cash flows used in financing activities	**(1,728,900)**	(33,098)
Foreign currency translation adjustments	**(15,868)**	25,811
Net (decrease) increase in cash and cash equivalents	**(262,520)**	2,031,866

30 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors, companies having common directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions and balances with related parties included in the consolidated statement of financial position and consolidated statement of income are as follows:

Name	**Relationship**	**Nature of transactions**
Bahrain Livestock Company B.S.C. (c)	Associated company	Services rendered and dividend received.
Qatari Bahraini Food Trading Co. L.L.C.	Associated company	Company is under liquidation process.
Yousuf Abdul Rehman Engineer Holding W.L.L.	Common director	Services received.
Intershield W.L.L.	Common director	Insurance services.
United Paper Industries B.S.C.	Common director	Purchases of packaging materials.
Delmon Poultry Company B.S.C.	Common director	Purchases and dividend received.
Manama Travel Centre	Common director	Services received.
Mohammad Jalal Group	Common director	Purchases and sales of goods.
Saleh Al Saleh Company	Common director	Purchases and sales of goods.
Ebrahim K Kanoo B.S.C. (c)	Common director	Purchase of spare parts and services received.
Mohamed Ali Zainal Abdulla B.S.C. (c)	Common director	Purchases and sales of goods.
Fakhro Electronics W.L.L.	Common director	Sales.
National Transport Establishment	Common director	Services received.
Budget - Rent a car	Common director	Services received.
Bahrain Cinema Company B.S.C.	Common director	Sales.
Khalid Almoayed and Sons W.L.L.	Common director	Purchases.
BMMI B.S.C.	Common director	Purchases, sales of goods and dividend received.
The Food Supply Company W.L.L.	Common director	Sales of goods.
BANZ Group B.S.C. (c)	Common director	Sales and dividend received.
Abdulla Yousif Fakhro and Sons	Common director	Sales of goods and services received.

30 RELATED PARTY TRANSACTIONS (continued)

31 December 2018	***Revenue BD***	***Purchase of goods and services BD***	***Other operating income BD***	***Trade receivables BD***	***Due from related parties BD***	***Due to related parties BD***
Associated companies	**149**	**115,683**	**5,974**	**649**	-	**7,014**
Entities with common directors	**493,629**	**1,507,467**	**323,441**	**148,470**	-	**274,781**
	493,778	**1,623,150**	**329,415**	**149,119**	-	**281,795**

31 December 2017	*Revenue BD*	*Purchase of goods and services BD*	*Other operating income BD*	*Trade receivables BD*	*Due from related parties BD*	*Due to related parties BD*
Associated companies	-	190,940	55,667	-	2,626	44,604
Entities with common directors	453,954	1,084,142	300,706	131,268	-	378,799
	453,954	1,275,082	356,373	131,268	2,626	423,403

Terms and conditions of transactions with related parties
Purchases from and sales to related parties are made at normal market prices. Outstanding balances at the year-end arise in the normal course of business, are unsecured, interest free and settlement occurs in cash except for loan from non-controlling interests (note 25). For the years ended 31 December 2018 and 31 December 2017, the Group has not recorded any impairment of amounts owed by related parties.

Compensation of key management personnel
The remuneration of directors and other members of key management personnel during the year was as follows:

	2018 BD	*2017 BD (Restated)*
Directors' remuneration	**107,625**	112,750
Directors' fees	**54,150**	53,550
	161,775	166,300
Short-term benefits	**245,515**	257,729
Employees' end of service benefits	**11,461**	16,182
	256,976	273,911
	418,751	440,211

During the year, the Group accrued Directors' remuneration which was previously recognised in the consolidated statement of income only upon payment. The retained earnings have been adjusted to reflect this change respectively.

31 COMMITMENTS AND CONTINGENCIES

(a) Capital expenditure commitments

Estimated capital expenditure contracted for at the reporting date but not provided for is as follows:

	2018	*2017*
	BD	*BD*
Property, plant and equipment	**264,486**	211,995

All of the above commitments are expected to be settled within one year.

(b) Operating lease commitments

The Group has entered into commercial leases for its office premises and production and storage facilities. These leases have remaining terms ranging between 1 year to 15 years and are renewable at the Group's option.

Future minimum rentals payable under operating leases as at 31 December, were as follows:

	2018	*2017*
	BD	*BD*
Within one year	**383,893**	273,592
After one year but not more than five years	**963,330**	233,311
More than five years	**1,446,730**	-
Total operating lease expenditure contracted for at the reporting date	**2,793,953**	506,903

(c) Guarantee:

Tender, advance payment and performance guarantees issued by banks on behalf of the Group, in the normal course of business, amount to BD 864,436 (2017: BD 821,636) as at 31 December 2018.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Group's principal financial liabilities comprise term loans, loan from non-controlling interests, import loans, a portion of trade and other payables and bank overdrafts. The main purpose of these financial liabilities is to raise finance for the Group's operations and capital expenditure. The Group has a portion of trade and other receivables and bank balances and cash that arise directly from its operations. The Group also holds non-trading investments.

The Group is exposed to market risk, credit risk and liquidity risk.

Executive Committee

The Executive Committee is responsible for evaluating and approving business and risk strategies, plans and policies of the Group and market and liquidity risks pertaining to the Group's investment activities by optimising liquidity and maximising returns from the funds available to the Group.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market price risk comprises of interest rate risk, foreign currency risk and equity price risk. Financial instruments affected by market risk include non-trading investments, a portion of trade and other receivables, bank balances and cash, term loans, import loans, loans from non-controlling interest, a portion of trade and other payables and bank overdrafts.

The sensitivity analysis have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant at 31 December 2018 and 31 December 2017.

The following assumptions have been made in calculating the sensitivity analysis:

a) The consolidated statement of financial position sensitivity relates to financial assets and financial liabilities as at 31 December 2018 and 31 December 2017;

b) The sensitivity of the relevant consolidated statement of income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2018 and 31 December 2017; and

c) The sensitivity of equity is calculated by considering the effect of non-trading investments and translation of foreign operations at 31 December 2018 and 31 December 2017 for the effects of the assumed changes of the underlying risk.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Group is exposed to interest rate risk on its floating interest rate bearing liabilities (bank overdrafts and certain term loans).

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant. The Group's profit for the year is affected through the impact on floating interest bearing bank overdrafts and certain term loans, as follows:

	2018		*2017*	
Increase (decrease) in basis points	**+50**	**-50**	+50	-50
(Decrease) increase in profit [in BD]	**(1,037)**	**1,037**	(5,679)	5,679

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

The Group's exposure to foreign currency risk primarily arising from trade payables denominated in Swiss Francs, Pound Sterling, Kuwaiti Dinars and Euros is not material.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Group's profit (due to changes in the fair value of monetary assets and liabilities) and the Group's other comprehensive income (due to changes in the net investment in a foreign operations).

	Change in exchange rate	*Effect on the consolidated statement of income*		*Effect on the on consolidated statements of comprehensive income*	
		2018 BD	*2017 BD*	***2018 BD***	*2017 BD*
EURO	+5%	**(1,264)**	(399)	-	-
EURO	-5%	**1,264**	399	-	-
Other currencies	+5%	**(2,852)**	(8,868)	-	-
Other currencies	-5%	**2,852**	8,868	-	-
Kuwaiti Dinar	+5%	-	-	**41,615**	43,604
Kuwaiti Dinar	-5%	-	-	**(41,615)**	(43,604)

As the Bahraini Dinar is pegged to the United States (US) Dollar, balances in US Dollars and currencies pegged to the US Dollar are not considered to represent a significant foreign currency risk.

Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer, or factors affecting all investments traded in the market.

The Group manages equity price risk through diversification and placing limits on individual and total equity investments. Reports on the investment portfolio are submitted to the Executive Committee on a regular basis. The Executive Committee reviews and approves all investment decisions.

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis, with all other variables held constant, as at 31 December 2018 and 31 December 2017 are shown below:

A 5% increase in the significant unobservable inputs used (illiquidity discount and minority discount) would result in a reduction in fair value of the non-trading investments ranging between BD 220,561 to BD 242,671 and vice versa.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including bank balances and other financial instruments.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Trade and other receivables

Customer credit risk is managed by each entity as per Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year.

Bank balances

The Group limits credit risk on bank balances by dealing only with reputable banks.

Debt instruments

The Group limits credit risk on investment in debt instruments by investing only in sovereign debt instruments with strong credit ratings.

Credit risk concentration

The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

The Group sells its products to a large number of wholesalers and retailers. Its five largest customers account for 27% (2017: 21%) of the outstanding trade receivables at 31 December 2018.

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position headings without taking account of any collateral and other credit enhancements.

	2018	*2017*
	BD	*BD*
Trade receivables	**7,743,773**	7,588,175
Bank balances	**1,987,607**	2,779,561
Other receivables	**429,494**	506,929
Quoted debt instruments	**300,000**	-
Deposits	**27,574**	19,627
Due from related parties	-	2,626
	10,488,448	10,896,918

Liquidity risk

Liquidity risk is the risk that an enterprise will have difficulties in meeting its commitments. The Group limits its liquidity risk by ensuring bank facilities are available. The Group's terms of sale require amounts to be paid within 60 to 90 days of the date of sale. Trade payables are also normally settled within 60 to 90 days of the date of purchase/shipment.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The table below summarises the maturities of the Group's financial liabilities at 31 December, based on undiscounted contractual payment dates and current market interest rates.

2018	***On demand BD***	***Less than 3 months BD***	***3 to 12 months BD***	***1 to 5 years BD***	***More than 5 years BD***	***Total BD***
Trade and other payables	-	**4,493,627**	**446,128**	-	-	**4,939,755**
Import loans	-	**1,515,717**	**812,284**	-	-	**2,328,001**
Term loans	-	**43,101**	**66,780**	**356,160**	**111,122**	**577,163**
Bank overdrafts	**186,498**	-	-	-	-	**186,498**
	186,498	**6,052,445**	**1,325,192**	**356,160**	**111,122**	**8,031,417**

2017	*On demand BD (Restated)*	*Less than 3 months BD (Restated)*	*3 to 12 months BD (Restated)*	*1 to 5 years BD (Restated)*	*Total BD (Restated)*
Trade and other payables	-	4,006,307	488,013	-	4,494,320
Import loans	-	2,971,320	-	-	2,971,320
Term loans	-	214,707	268,746	503,743	987,196
Loan from non-controlling interests	-	-	-	621,250	621,250
Bank overdrafts	364,869	-	-	-	364,869
	364,869	7,192,334	756,759	1,124,993	9,438,955

Changes in liabilities arising from financing activities of the consolidated statement of cash flows

	As at 1 January 2018	***Cash flows***		***Dividend declared***	***As at 31 December 2018***
		Availed	***Payments***		
	BD	***BD***	***BD***	***BD***	***BD***
Unclaimed dividend payable	**435,551**	-	**(1,227,494)**	**1,232,559**	**440,616**
Term loans	**895,841**	**500,000**	**(920,920)**	-	**474,921**
Import loans	**2,946,277**	**10,612,868**	**(11,259,998)**	-	**2,299,147**
Loans from non-controlling interests	**497,000**	-	**(497,000)**	-	-
	4,774,669	**11,112,868**	**(13,905,412)**	**1,232,559**	**3,214,684**

	As at 1 January 2017	*Cash flows*		*Dividend declared*	*As at 31 December 2017*
		Availed	*Payments*		
	BD	*BD*	*BD*	*BD*	*BD*
Unclaimed dividend payable	431,294	-	(1,305,337)	1,309,594	435,551
Term loans	616,452	750,000	(470,611)	-	895,841
Import loans	3,069,844	12,371,364	(12,494,931)	-	2,946,277
Loans from non-controlling interests	497,000	-	-	-	497,000
	4,614,590	13,121,364	(14,270,879)	1,309,594	4,774,669

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management
The primary objective of the Group's capital management is to ensure that it maintains a healthy capital base in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the dividends paid to shareholders, repurchase of own shares, or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total debt (i.e. term loans, loan from non-controlling interests, trade and other payables, import loans and net cash and cash equivalents). Equity comprises all components of equity (i.e. share capital, share premium, statutory reserve, general reserve, retained earnings-distributable, retained earnings-not distributable, fair value reserve and proposed appropriations).

	2018	*2017*
	BD	*BD*
		(Restated)
Term loans	**474,921**	895,841
Loan from non-controlling interests	**-**	497,000
Trade and other payables	**6,538,671**	6,039,609
Import loans	**2,299,147**	2,946,277
Bank overdrafts	**186,498**	364,869
Contract and refund liabilities	**166,052**	167,135
Net debt	**9,665,289**	10,910,731
Total equity attributable to the shareholders of Trafco	**25,641,930**	24,903,016
Debt-to-equity ratio	**38%**	44%

33 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of financial instruments
Fair value of financial instruments is estimated based on the following methods and assumptions:

a) Bank balances and cash, bank overdrafts, a portion of trade and other receivables and a portion of trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments as at 31 December 2018 and 31 December 2017;
b) Term loans, loans from non-controlling interests, import loans are evaluated by the Group based on parameters such as interest rates. The carrying amounts are not materially different from their fair values as at 31 December 2018 and 31 December 2017; and
c) Fair value of quoted equity investments and quoted debt instruments is derived from quoted market prices in active markets or in the case of unquoted non-trading investments using market multiples or other appropriate valuation methodologies.

Fair value of non-financial assets or liabilities
The Group does not have any non-financial assets or liabilities which have been measured at fair value as at 31 December 2018 and 31 December 2017.

Fair value hierarchy
For fair value hierarchy of the Group's assets and liabilities refer to note 12.

34 SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

Imported foodstuff - Wholesale	Import and distribution of foodstuff.
Imported foodstuff - Retail	Import and distribution of foodstuff through supermarkets.
Investments	Investment in quoted and unquoted securities (including investments in an associate).
Dairy products and beverages	Production, processing and distribution of dairy products, juices, ice-cream, bottling of water and other items.
Fruits and vegetables	Import and distribution of fruits, vegetables and other food items.
Storage and logistics	Providing storage and logistics services.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained later in a table, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

Segment assets include all operating assets used by a segment and consist primarily of property, plant and equipment, inventories, right of return, trade and other receivables and bank balances and cash. Whilst the majority of the assets can be directly attributed to individual business segments, the carrying amounts of certain assets used jointly by two or more segments are allocated to the segments on a reasonable basis.

Segment liabilities include all operating liabilities used by a segment and consist primarily of employees' end of service benefits, loans from non-controlling interests, term loans, import loans, bank overdrafts, contract and refund liabilities and trade and other payables. Whilst the majority of the liabilities can be directly attributed to individual business segments, the carrying amounts of certain liabilities used jointly by two or more segments are allocated to the segments on a reasonable basis.

Revenue from operations for the year ended 31 December 2018 in the State of Kuwait amounted to BD 3,031,167 (2017: BD 2,967,441) and loss for the year ended 31 December 2018 amounted to BD 123,942 (2017: BD 194,536). All remaining revenue and profit for the year is generated from the primary geographical segment in the Kingdom of Bahrain.

Total assets in the State of Kuwait amounted to BD 1,038,276 (2017: BD 1,128,610) and total liabilities amounted to BD 927,279 (2017: BD 1,045,468). All remaining assets and liabilities arise from the primary geographical segment in the Kingdom of Bahrain.

Inter-segment revenues, transactions, assets and liabilities are eliminated upon consolidation and reflected in the "Adjustments and eliminations" column.

34 SEGMENT REPORTING (continued)

	Imported foodstuff															
	Wholesale		*Retail*		*Investments*		*Dairy products and beverages*		*Fruits and vegetables*		*Storage and logistics*		*Adjustments and eliminations*		*Total*	
	2018	*2017*	***2018***	*2017*	***2018***	*2017*	***2018***	*2017*	***2018***	*2017*	***2018***	*2017*	***2018***	*2017*	***2018***	*2017*
	BD	*BD*	***BD***	*BD*	***BD***	*BD*	***BD***	*BD*	***BD***	*BD*	***BD***	*BD*	***BD***	*BD*	***BD***	*BD*
		(Restated)		*(Restated)*		*(Restated)*		*(Restated)*		*(Restated)*		*(Restated)*		*(Restated)*		*(Restated)*
Revenue - third parties	**17,754,165**	16,931,429	**2,471,325**	2,792,114	**-**	-	**16,339,288**	16,388,978	**2,238,747**	3,174,988	**718,286**	578,605	**-**	-	**39,521,811**	39,866,114
Revenue - inter segments	**1,368,936**	1,503,292	**-**	-	**-**	-	**47,626**	62,396	**88,325**	160,886	**127,133**	223,286	**(1,632,020)**	(1,949,860)	**-**	-
Total revenue	**19,123,101**	18,434,721	**2,471,325**	2,792,114	**-**	-	**16,386,914**	16,451,374	**2,327,072**	3,335,874	**845,419**	801,891	**(1,632,020)**	(1,949,860)	**39,521,811**	39,866,114
Costs of revenue (excluding depreciation)	**(16,522,344)**	(16,066,328)	**(2,182,959)**	(2,468,172)	**-**	-	**(11,293,301)**	(10,965,396)	**(1,883,905)**	(2,892,805)	**(221,353)**	(231,585)	**1,504,887**	1,425,955	**(30,598,975)**	(31,198,331)
Gross profit	**2,600,757**	2,368,393	**288,366**	323,942	**-**	-	**5,093,613**	5,485,978	**443,167**	443,069	**624,066**	570,306	**(127,133)**	(523,905)	**8,922,836**	8,667,783
Other operating income	**119,478**	141,247	**69,689**	48,314	**-**	-	**118,789**	69,905	**39,761**	24,416	**27,008**	44,580	**(173,434)**	(195,545)	**201,291**	132,917
Other expenses (excluding depreciation)	**(2,287,613)**	(2,173,433)	**(307,492)**	(305,281)	**-**	-	**(2,936,004)**	(2,992,511)	**(347,756)**	(488,826)	**(89,119)**	(84,206)	**177,115**	266,277	**(5,790,869)**	(5,777,980)
Depreciation	**(104,375)**	(107,055)	**(24,140)**	(22,901)	**-**	-	**(502,004)**	(559,885)	**(52,014)**	(61,833)	**(268,484)**	(273,304)	**(16,511)**	(16,511)	**(967,528)**	(1,041,489)
Profit (loss) from operations	**328,247**	229,152	**26,423**	44,074	**-**	-	**1,774,394**	2,003,487	**83,158**	(83,174)	**293,471**	257,376	**(139,963)**	(469,684)	**2,365,730**	1,981,231
Investment income (including share of results of an associate)	**-**	-	**-**	-	**1,647,965**	1,716,253	**-**	-	**-**	-	**-**	-	**(1,246,795)**	(1,005,341)	**401,170**	710,912
Finance costs	**(121,409)**	(114,489)	**(6,046)**	(5,441)	**-**	-	**(25,085)**	(73,805)	**(48,518)**	(52,790)	**(107,536)**	(112,047)	**130,434**	152,544	**(178,160)**	(206,028)
Exchange gains - net	**-**	-	**-**	-	**-**	-	**14,082**	23,144	**-**	-	**-**	-	**-**	-	**14,082**	23,144
Impairment of non-trading investments	**-**	-	**-**	-	**-**	(140,582)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	(140,582)
Profit (loss) for the year	**206,838**	114,663	**20,377**	38,633	**1,647,965**	1,575,671	**1,763,391**	1,952,826	**34,640**	(135,964)	**185,935**	145,329	**(1,256,324)**	(1,322,481)	**2,602,822**	2,368,677
Capital expenditure	**290,496**	667,616	**11,438**	73,471	**-**	-	**642,983**	602,746	**36,450**	19,380	**120,545**	91,009	**-**	-	**1,101,912**	1,454,222
Assets	**13,331,324**	14,383,672	**811,917**	986,977	**18,149,862**	16,724,183	**10,962,388**	11,135,523	**1,674,380**	1,730,223	**3,680,445**	3,877,381	**(8,855,202)**	(9,015,175)	**39,755,114**	39,822,784
Liabilities	**6,158,891**	6,520,757	**475,220**	673,122	**-**	-	**3,803,033**	4,971,335	**1,194,732**	1,238,282	**2,331,018**	2,714,018	**(2,955,937)**	(3,902,954)	**11,006,957**	12,214,560